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AGENDA ITEM 5

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

- I. SUBJECT:** 2006-2007 Performance Plans for the Senior Portfolio Managers and Portfolio Managers (First Reading)
- II. PROGRAM:** Administration
- III. RECOMMENDATION:** Approve the First Reading of the 2006-2007 Performance Plans for the Senior Portfolio Managers and Portfolio Managers
- IV. ANALYSIS:**

The Board of Administration's Compensation Policies and Procedures for the Chief Executive Officer, Chief Actuary, Chief Investment Officer and Investment Management Positions include a schedule for approving incentive plans for the coming fiscal year. The performance measures which comprise the plans are either quantitative (performance against specified quantifiable standards) or qualitative (related to the level of achievement on non-quantifiable key objectives).

The 2006-2007 performance plans for the Senior Portfolio Managers and Portfolio Managers are presented with this item for first reading. You will note that the new plans for the SPMs include a Total Fund component of up to 10% and a component of up to 15% of the total asset class. Parallel changes have been made for the PMs as well. In addition, a qualitative performance measure related to Leadership is being added to all the plans.

The policies provide for a review by the Board's investment consultant of all proposed quantitative performance measures in the plans of the investment management positions. The investment consultant's review of the attached plans will be completed prior to second reading in August.

V. STRATEGIC PLAN:

Under Goal II of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. Under Goal IV, the organization is dedicated to effectively utilizing its resources, including a diverse, creative, motivated, high performance workforce. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of performance plans is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

Chris O'Brien, Chief
Human Resources Division

Gloria Moore Andrews
Deputy Executive Officer – Operations

Attachments

**2006-2007 Performance Plans for the
Senior Portfolio Manager and Portfolio Manager Positions**

Performance plans for the 2006-2007 Fiscal Year for the Senior Portfolio Manager and Portfolio Manager positions are presented for first reading on the following pages, in the order listed below:

| Position | Current Incumbent |
|--|-------------------|
| Senior Portfolio Manager, Alternative Investments | Joncarlo Mark |
| Senior Portfolio Manager, Corporate Governance | Dennis Johnson |
| Senior Portfolio Manager, External Equity | Mary Cottrill |
| Senior Portfolio Manager, Fixed Income | Kevin Winter |
| Senior Portfolio Manager, Internal Equity | Eric Baggesen |
| Senior Portfolio Manager, Real Estate | Al Fernandez |
| Senior Portfolio Manager, Structured Securities, Fixed Income | Arnie Phillips |
| Portfolio Manager, Active Equity | Chris Doffing |
| Portfolio Manager, Alternative Investments | Sarah Corr |
| Portfolio Manager, Alternative Investments | Michael Dutton |
| Portfolio Manager, Alternative Investments | John Greenwood |
| Portfolio Manager, Asset Allocation and Risk Management | Rick Roth |
| Portfolio Manager, Asset Allocation and Risk Management | Ray Venner |
| Portfolio Manager, Corporate Governance | Bill McGrew |
| Portfolio Manager, Currency and International Fixed Income | Eric Busay |
| Portfolio Manager, Domestic Investment Research | Lou Zahorak |
| Portfolio Manager, External Equity Investments | Kurt Silberstein |

| Position | Current Incumbent |
|--|-------------------|
| Portfolio Manager, External Equity | Derek Hayamizu |
| Portfolio Manager, International Equity Strategies | Dan Bienvenue |
| Portfolio Manager, International Investment Research | Warren Trepeta |
| Portfolio Manager, Opportunistic Fixed Income | Dan Kiefer |
| Portfolio Manager, Passive Equity | Carl Guidi |
| Portfolio Manager, Quantitative Strategies | Ho Ho |
| Portfolio Manager, Real Estate | Judy Alexander |
| Portfolio Manager, Real Estate | Robert Eberhardt |
| Portfolio Manager, Real Estate | Jose McNeill |
| Portfolio Manager, Real Estate | Randy Pottle |
| Portfolio Manager, Global Governments | Rob Grady |